

SUNNYSIDE CITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

		<u>PAGE</u>
<u>OPINION</u>	Independent Auditors' Report	1-2
<u>MD&A</u>	Management's Discussion and Analysis	3-9
<u>BASIC FINANCIAL STATEMENTS</u>		
Government-wide Financial Statements:		
EXHIBIT 1	Statement of Net Assets	10
EXHIBIT 2	Statement of Activities	11
Fund Financial Statements:		
EXHIBIT 3	Balance Sheet - Governmental Funds	12
EXHIBIT 4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
EXHIBIT 5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
EXHIBIT 6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
EXHIBIT 7	Statement of Net Assets - Proprietary Funds	16-17
EXHIBIT 8	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
EXHIBIT 9	Statement of Cash Flows - Proprietary Funds	19-20
	Notes to the Financial Statements	21-41

PAGE

42-43

44-45

46-51

52-54

55-56

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.

R. KIRT RICH, C.P.A.

GREG MARSING, C.P.A.

DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
Sunnyside City
Sunnyside City, Utah 84539

Ladies/Gentlemen:

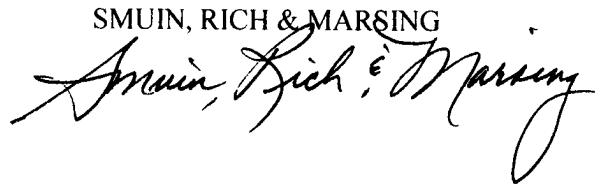
We have audited the accompanying financial statements of the governmental activities, and the business-type activities and each major fund of Sunnyside City, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sunnyside City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sunnyside City, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of Sunnyside City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 3 through 9 and pages 42 through 43 be present to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SMUIN, RICH & MARSING


Price, Utah

December 21, 2012

**SUNNYSIDE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Our discussion and analysis of Sunnyside City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- ❖ The City's net assets increased \$206,365 as a result of this year's operations. Net assets of our governmental activities increased by \$191,090, which is a 9.98 percent increase over last years and the City's net assets of our business-type activities increased by \$15,275, which is a .71 percent increase from last year.
- ❖ Total expenses of \$585,927 were \$179,959 more than the program revenues received of \$405,968, for governmental activities.
- ❖ In the City's business-type activities, program revenues of \$214,644 were \$15,275 more than the expenses of \$199,369 for these types of activities.
- ❖ Property Tax revenue for the year ended June 30, 2012 was \$294,530, Sales and Franchise Tax was \$72,105. Property Tax revenue increased by \$3,842, Sales and Franchise Tax increased by \$7,234 from the previous fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

REPORTING THE CITY AS A WHOLE

Our analysis of the City as a whole begins on page 10. The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps determine if the City is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the City's financial position. Increases or decreases in the City's net assets are one indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, water lines, sewer lines, drainage systems, and other capital assets to assess the overall health of the City.

REPORTING THE CITY AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the general and administration cost, contributions to other agencies, police, fire, public works, parks department and interest on long-term debt. Property taxes, franchise fees, fines, sales taxes, charges for services and state and federal grants finance most of these activities.

Business-type activities - The City charges a fee to customers to help cover all or most of the cost of water and sewer services it provides. The City's water and sewer services are reported in an enterprise fund, which is shown as business-type activities.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City established other funds to help it control and manage money for particular purposes (debt service and capital projects payments) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds*, through a reconciliation provided in a separate statement.

Proprietary funds – When the City charges customers for the services it provides – to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City has applied for and received a grant along with East Carbon City to build a Public Safety Building. The grant funds were allocated to the Cities by the State of Utah by putting them in a PTIF account in the name of Sunnyside City. The Public Safety Building was completed during the year ended June 30, 2011 and all costs associated with it have been paid. The two Cities now share in the costs of maintaining the building by each paying their proportionate share of current operating and maintenance expenses. The City no longer acts in a trustee capacity with regards to the Public Safety Building.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The City's Statement of Net Assets, which increased during the current calendar year, presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. The government-wide financial statements include all of the City's activity. The analysis shown below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 414,999	\$ 393,945	\$ 122,502	\$ 116,405	\$ 537,501	\$ 510,350
Capital assets	2,011,823	1,839,070	2,943,755	3,028,623	4,955,578	4,867,693
Total assets	<u>\$ 2,426,822</u>	<u>\$ 2,233,015</u>	<u>\$ 3,066,257</u>	<u>\$ 3,145,028</u>	<u>\$ 5,493,079</u>	<u>\$ 5,378,043</u>
Long-term debt outstanding	\$ 17,814	\$ 19,616	\$ 853,093	\$ 927,522	\$ 870,907	\$ 947,138
Other liabilities	303,560	299,041	20,695	40,312	324,255	339,353
Total liabilities	<u>\$ 321,374</u>	<u>\$ 318,657</u>	<u>\$ 873,788</u>	<u>\$ 967,834</u>	<u>\$ 1,195,162</u>	<u>\$ 1,286,491</u>
Net assets:						
Invested in capital assets, net of debt	\$ 2,011,823	\$ 1,838,265	\$ 2,100,780	\$ 2,112,519	\$ 4,112,603	\$ 3,950,784
Restricted	57,069	65,792	20,147	20,005	77,216	85,797
Unrestricted	36,556	10,301	71,542	44,670	108,098	54,971
Total net assets	<u>\$ 2,105,448</u>	<u>\$ 1,914,358</u>	<u>\$ 2,192,469</u>	<u>\$ 2,177,194</u>	<u>\$ 4,297,917</u>	<u>\$ 4,091,552</u>

Net Assets of the City's governmental activities increased by 9.98 percent (\$2,105,448 compared to \$1,914,358.) *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$(36,556) at the end of June 30, 2012.

Net Assets of our business-type activities increased .71 percent (\$2,192,194 compared to \$2,177,194). Unrestricted net assets for this group, amounted to \$71,542. The City uses their unrestricted net assets to finance the continuing operations of the water and sewer fund.

Government-wide financial statements (Continued)

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for services	\$ 126,340	\$ 136,926	\$ 213,144	\$ 223,004	\$ 339,484	\$ 359,930
Operating grants and cont.	53,173	70,091			53,173	70,091
Capital grants and cont.	226,455	110,372	1,500	43,000	227,955	153,372
General Revenues:						
Property taxes	273,136	287,405			273,136	287,405
Fee in lieu	21,394	3,283			21,394	3,283
Sales and franchise taxes	72,105	64,871			72,105	64,871
Other general revenue	4,414	13,778			4,414	13,778
Total revenues	\$ 777,017	\$ 686,726	\$ 214,644	\$ 266,004	\$ 991,661	\$ 952,730
Expenses						
Program Expenses						
General government	\$ 158,297	\$ 167,034			\$ 158,297	\$ 167,034
Public safety	261,159	292,841			261,159	292,841
Highways and public improv.	54,750	31,011			54,750	31,011
Parks and recreation	111,689	103,543			111,689	103,543
Interest on long-term debt	32	184			32	184
Water and sewer			\$ 199,369	\$ 253,496	199,369	253,496
Total expenses	\$ 585,927	\$ 594,613	\$ 199,369	\$ 253,496	\$ 785,296	\$ 848,109
Change in net assets	\$ 191,090	\$ 92,113	\$ 15,275	\$ 12,508	\$ 206,365	\$ 104,621
Beginning net assets	1,914,358	1,802,775	2,177,194	2,164,686	4,091,552	3,967,461
Prior period adjustment		19,470				19,470
Ending net assets	\$ 2,105,448	\$ 1,914,358	\$ 2,192,469	\$ 2,177,194	\$ 4,297,917	\$ 4,091,552

Government-wide financial statements (Continued)

The City's operational goals for future years, is to continue to strive to use the allotted funds in the best interest of the City and those who are served by the City's operations. The City has taken steps to increase revenues by increasing property tax rates. As revenues increase, the City will continue to strengthen fund balances.

Governmental Activities

Revenues for the City's governmental type activities, increased \$74,522, a 13.15 percent increase. This increase was primarily due to the increased in capital grant received by the City. Total expenses using these funds decreased \$8,686, a decrease of 1.46 percent. The largest increase in revenue was in Capital Grants compared with the prior year. The largest decrease in expenditures occurred in Public Safety due to the completion of the joint Public Safety Building. The largest sources of funds are Property, Sales and Franchise taxes, capital grants and contributions, and charges for services. These revenues, and other miscellaneous revenues, enabled the City to meet their current obligations. Due largely in part to the increase of a capital grant the City was able to purchase a new fire truck. Because of the increase in revenues and the decrease in expenditures the governmental activities of the City experience an increase in net assets of \$191,090.

The cost of all governmental activities this year was \$585,927. As shown in the Statement of Activities on page 11, property, sales and franchise tax revenue along with operating grants and contributions paid for the majority of these activities. Overall, the City's governmental program revenues of \$405,968 paid 69.29 percent of the governmental activities expenditures.

Costs of the City are centered within several programs—General government, Public safety, Highways and public improvements, Parks and recreation, and interest on long-term debt. The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Property taxes, Sales and franchise taxes, assessments and miscellaneous revenues.

Business-type Activities

Revenues of the City's business-type activities decreased 19.31 percent (\$214,644 compared to \$266,004) while expenses decreased 21.35 percent (\$199,369 compared to \$253,496). The major changes for the business-type activities, is a decrease in charges for services and a decrease in capital grants and contributions in comparison to the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was adopted on June 21, 2011. The city did not amend its budget during the fiscal year ending June 30, 2012.

The actual charges for expenditures were \$760,482. This was \$114,895 over the total general fund budgeted amounts. The most significant negative variances occurred in the Public Safety (\$169,746) and Highways and Public Improvements (\$19,146) functions.

Resources for revenues were \$777,017. This was \$110,430 over the general fund revenue budget amount. The most significant negative variance (\$114,846) occurred in Contribution revenue and the most significant positive variance (\$218,620) occurred in Intergovernmental revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had \$4,955,578 invested in a broad range of capital assets, including water stock, land, buildings, improvements other than buildings, machinery and equipment, and infrastructure (see Table 3 below). This amount represents a net increase (including additions and deletions) of \$87,885 or a 1.8 percent increase over the previous year.

Table 3
Capital Assets at Year-End
(Net of Depreciation)
June 30, 2012

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2012	2011	2012	2011	2012	2011
Water stock			\$ 441,375	\$ 441,375	\$ 441,375	\$ 441,375
Land	\$ 17,746	\$ 17,746			17,746	17,746
Buildings	1,512,348	1,515,466			1,512,348	1,515,466
Improvements other than buildings	110,071	115,000	2,422,751	2,503,786	2,532,822	2,618,786
Machinery and equipment	371,658	190,858	24,452	29,785	396,110	220,643
Work in progress			55,177	53,677	55,177	53,677
Total assets activities	<u>\$ 2,011,823</u>	<u>\$ 1,839,070</u>	<u>\$ 2,943,755</u>	<u>\$ 3,028,623</u>	<u>\$ 4,955,578</u>	<u>\$ 4,867,693</u>

This year's major additions included:

Small pavillion	\$ 6,732
Paid for with grant proceeds	
Heating & Air conditioning System	42,128
Paid for with City funds	
Fire Truck	221,455
Paid for with grant proceeds	
	<u>\$ 270,315</u>

The City's fiscal year 2012 capital budget calls for little or no spending on capital projects. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Long-term debt

As of June 30, 2012, the City had \$842,975 in bonds, and lease payables outstanding. The debt represents revenue bonds secured solely by specified revenue sources and two capital leases. The following table (table 4) shows outstanding debt for the current and previous years.

Table 4
Outstanding Debt as of
June 30, 2012

	Governmental		Business-type		Totals	
	Activities		Activities		Primary	
	2012	2011	2012	2011	Government	
					2012	2011
Bonds payable			\$ 836,246	\$ 906,246	\$ 836,246	\$ 906,246
Leases payable		\$ 805	6,729	9,858	6,729	10,663
Total debt	\$...	\$ 805	\$ 842,975	\$ 916,104	\$ 842,975	\$ 916,909

More detailed information about the City's long-term liabilities is presented in Notes 7 and 8 to the financial statements.

ECONOMIC FORECAST AND FUTURE BUDGET

Sunnyside City's Mayor and Council consider many factors in preparing their annual budgets. The City's revenues have maintained a relative consistent level over the last few years showing little or no growth except for the increase in tax rates. The lack of growth has made it harder for the Mayor and City Council to maintain the level of services to the residents of the City. In the year ended June 30, 2012, the City learned the major taxpayer of the City had paid their taxes in protest and it appears that future tax revenues could be reduced as much as 50% in the General Fund. This could have a substantial negative effect on the ability of the City to provide needed services to its citizens.

Sunnyside City experiences many of the same problems as other Eastern Utah communities with slow or negative economic activity. The General Fund budget is projected to be \$678,028. The budget was adopted prior to learning about the future drop in tax revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Recorder, Polly Sanderson at, P.O. Box 69, Sunnyside, Utah 84539.

SUNNYSIDE CITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 43,598	\$ 79,466	\$ 123,064
Cash and cash equivalents - restricted	57,069	20,147	77,216
Accounts receivable (net)		22,889	22,889
Taxes receivable	306,155		306,155
Miscellaneous receivable	4,673		4,673
Due from other governmental units	3,504		3,504
Capital assets (net of accumulated depreciation):			
Water stock		441,375	441,375
Land and easements	17,746		17,746
Buildings	1,512,348		1,512,348
Improvements other than buildings	110,071	2,422,751	2,532,822
Machinery and equipment	371,658	24,452	396,110
Work in progress		55,177	55,177
Total assets	<u>\$ 2,426,822</u>	<u>\$ 3,066,257</u>	<u>\$ 5,493,079</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 7,777	\$ 1,418	\$ 9,195
Accrued liabilities	7,694	2,468	10,162
Bond interest payable		2,323	2,323
Deferred revenue	288,089		288,089
Customer deposits payable		14,486	14,486
Revenue bonds payable- Due within one year		71,000	71,000
Capital Lease Payable - Due within one year		3,284	3,284
Noncurrent liabilities:			
Capital lease payable - Due in more than one year		3,445	3,445
Revenue bonds payable - Due in more than one year		765,246	765,246
Compensated absences	17,814	10,118	27,932
Total liabilities	<u>\$ 321,374</u>	<u>\$ 873,788</u>	<u>\$ 1,195,162</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,011,823	\$ 2,100,780	\$ 4,112,603
Restricted for:			
Class "C" Roads	52,508		52,508
Public Safety - Ambulance/Fire	4,561		4,561
Debt obligations		20,147	20,147
Unrestricted	36,556	71,542	108,098
Total net assets	<u>\$ 2,105,448</u>	<u>\$ 2,192,469</u>	<u>\$ 4,297,917</u>

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES		GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
		OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS			
Primary government:						
Governmental activities:						
General government	\$ 158,297	\$ 699		\$ (157,598)		\$ (157,598)
Public safety	261,159	103,590	\$ 226,455	103,923		103,923
Highways and public improvements	54,750	35,037		(36,614)		(36,614)
Parks and recreation	111,689	18,136		(89,638)		(89,638)
Interest on long-term debt	32			(32)		(32)
Total governmental activities	\$ 585,927	\$ 126,340	\$ 226,455	\$ (179,959)		\$ (179,959)
Business-type activities:						
Water and sewer fund	\$ 199,369	\$ 213,144	\$ 1,500		\$ 15,275	\$ 15,275
Total business-type activities	\$ 199,369	\$ 213,144	\$ 1,500	\$ 15,275	\$ 15,275	\$ 15,275
Total primary government	\$ 785,296	\$ 339,484	\$ 227,955	\$ (179,959)	\$ 15,275	\$ (164,684)
General revenues:						
Property taxes				\$ 273,136		\$ 273,136
Sales and franchise taxes				72,105		72,105
Fee in lieu				21,394		21,394
Investment earnings				1,182		1,182
Miscellaneous				3,232		3,232
Total general revenues				\$ 371,049	\$...	\$ 371,049
Change in net assets				\$ 191,090	\$ 15,275	\$ 206,365
Net assets - beginning				1,914,358	2,177,194	4,091,552
Net assets - ending				\$ 2,105,448	\$ 2,192,469	\$ 4,297,917

"The notes to the financial statements are an integral part of this statement."

**SUNNYSIDE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 43,598	\$ 43,598
Cash and cash equivalents - restricted	57,069	57,069
Receivables (net):		
Taxes	306,155	306,155
Miscellaneous	4,673	4,673
Due from other governmental units	3,504	3,504
	<u> </u>	<u> </u>
Total assets	<u>\$ 414,999</u>	<u>\$ 414,999</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 7,777	\$ 7,777
Accrued liabilities	7,694	7,694
Deferred revenue	288,089	288,089
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 303,560</u>	<u>\$ 303,560</u>
Fund balances:		
Restricted:		
Class "C" roads	\$ 52,508	\$ 52,508
Public safety - Ambulance/Fire	4,561	4,561
Committed:		
Community Daze	6,526	6,526
Unassigned:		
Unassigned	47,844	47,844
	<u> </u>	<u> </u>
Total fund balances	<u>\$ 111,439</u>	<u>\$ 111,439</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 414,999</u>	<u>\$ 414,999</u>

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances - governmental fund types: \$ 111,439

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Land and easements	\$ 17,746	
Buildings	1,512,348	
Improvements other than buildings	110,071	
Machinery and equipment	<u>371,658</u>	2,011,823

Long-term liabilities, including bonds payable, are not due and payable in the current
period and therefore are not reported in the funds.

Compensated absences	<u>(17,814)</u>
----------------------	-----------------

Net assets of governmental activities	<u><u>\$ 2,105,448</u></u>
---------------------------------------	----------------------------

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:		
Taxes		
Property tax	\$ 273,136	\$ 273,136
General sales and use tax	50,895	50,895
Franchise tax	1,555	1,555
Fee in lieu	21,394	21,394
Municipal energy tax	18,004	18,004
Mobile telecom tax	1,651	1,651
Licenses and permits	2,850	2,850
Intergovernmental	264,629	264,629
Charges for services	123,471	123,471
Investment earnings	1,182	1,182
Contributions	15,334	15,334
Miscellaneous revenue	2,916	2,916
	<hr/>	<hr/>
Total revenues	\$ 777,017	\$ 777,017
	<hr/>	<hr/>
EXPENDITURES:		
Current:		
General government	\$ 183,418	\$ 183,418
Public safety	418,746	418,746
Highways and public improvements	53,546	53,546
Parks, recreation, and public property	103,935	103,935
Debt service:		
Principal retirement	805	805
Interest and fiscal charges	32	32
	<hr/>	<hr/>
Total expenditures	\$ 760,482	\$ 760,482
	<hr/>	<hr/>
Excess of revenues over (under) expenditures	\$ 16,535	\$ 16,535
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):		
Transfers in (out)		
	<hr/>	<hr/>
Total other financing sources (uses)	\$...	\$...
	<hr/>	<hr/>
Excess of revenues and other sources over (under) expenditures and other uses	\$ 16,535	\$ 16,535
	<hr/>	<hr/>
FUND BALANCES - beginning of year	94,904	94,904
	<hr/>	<hr/>
FUND BALANCES - end of year	\$ 111,439	\$ 111,439
	<hr/>	<hr/>

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	16,535
---	----	--------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		172,753
--	--	---------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items and is as follows:

Capital lease payment		805
-----------------------	--	-----

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Compensated absences and bond interest payable)		997
		997

Change in net assets of governmental activities	\$	191,090
		191,090

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS	
	WATER AND SEWER FUND	TOTAL
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 79,466	\$ 79,466
Cash and cash equivalents - restricted	20,147	20,147
Receivables - net		
Utilities	22,889	22,889
Total current assets	\$ 122,502	\$ 122,502
Noncurrent assets:		
Water rights	\$ 441,375	\$ 441,375
Improvements	3,296,644	3,296,644
Machinery and equipment	46,676	46,676
Work in progress	55,177	55,177
Less: Accumulated depreciation	(896,117)	(896,117)
Total noncurrent assets	\$ 2,943,755	\$ 2,943,755
Total assets	\$ 3,066,257	\$ 3,066,257
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,418	\$ 1,418
Utility deposits	14,486	14,486
Accrued liabilities	2,468	2,468
Accrued interest payable	2,323	2,323
Current portion - long-term debt	71,000	71,000
Current portion - capital lease	3,284	3,284
Total current liabilities	\$ 94,979	\$ 94,979

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS	
	WATER AND SEWER FUND	TOTAL
Noncurrent liabilities:		
Compensated absences	\$ 10,118	\$ 10,118
Revenue bonds payable	765,246	765,246
Capital lease payable	3,445	3,445
Total noncurrent liabilities	\$ 778,809	\$ 778,809
Total liabilities	\$ 873,788	\$ 873,788
Net Assets:		
Invested in capital assets, net of related debt	\$ 2,100,780	\$ 2,100,780
Restricted	20,147	20,147
Unrestricted	71,542	71,542
Total net assets	\$ 2,192,469	\$ 2,192,469

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS	
	WATER AND SEWER FUND	TOTAL
Operating revenues:		
Charges for sales and services	\$ 213,144	\$ 213,144
Total operating revenues	\$ 213,144	\$ 213,144
Operating expenses:		
Employee salaries	\$ 31,619	\$ 31,619
Employee benefits	19,172	19,172
Contractual and professional services	9,883	9,883
Supplies	923	923
Utilities	2,456	2,456
Repairs and maintenance	3,305	3,305
Depreciation	86,370	86,370
Water and sewer services	13,765	13,765
Garbage collection	23,537	23,537
Miscellaneous	1,013	1,013
Insurance	2,133	2,133
Total operating expenses	\$ 194,176	\$ 194,176
Operating income (loss)	\$ 18,968	\$ 18,968
Nonoperating revenues (expenses):		
Interest expense and fiscal charges	\$ (5,193)	\$ (5,193)
Grants	1,500	1,500
Total nonoperating revenues (expenses)	\$ (3,693)	\$ (3,693)
Change in net assets	\$ 15,275	\$ 15,275
Total net assets - beginning	2,177,194	2,177,194
Total net assets - ending	\$ 2,192,469	\$ 2,192,469

"The notes to the financial statements are an integral part of this statement."

**SUNNYSIDE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS	
	WATER AND SEWER FUND	TOTAL
Cash Flows From Operating Activities:		
Cash receipts from customers	\$ 200,653	\$ 200,653
Cash payments to suppliers	(76,912)	(76,912)
Cash payments to employees	(50,417)	(50,417)
Net cash provided (used) by operating activities	\$ 73,324	\$ 73,324
Cash Flows From Noncapital Financing Activities:		
Deferred revenue	\$ (1,094)	\$ (1,094)
Net cash provided (used) by noncapital financing activities	\$ (1,094)	\$ (1,094)
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	\$ (1,500)	\$ (1,500)
Interest paid on revenue bonds	(5,494)	(5,494)
Principal paid on revenue bonds	(73,129)	(73,129)
Grants received	5,249	5,249
Net cash provided (used) by capital and related financing activities	\$ (74,874)	\$ (74,874)
Net increase (decrease) in cash and cash equivalents	\$ (2,644)	\$ (2,644)
Cash and cash equivalents, July 1	102,257	102,257
Cash and cash equivalents, June 30	\$ 99,613	\$ 99,613

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS	
	WATER AND SEWER FUND	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 18,968	\$ 18,968
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 86,370	\$ 86,370
(Increase) Decrease in utility receivables	(12,491)	(12,491)
Increase (Decrease) in accounts payable	(18,500)	(18,500)
Increase (Decrease) in accrued liabilities	374	374
Increase (Decrease) in compensated absences	(1,300)	(1,300)
Increase (Decrease) in customer deposits payable	(97)	(97)
Total adjustments	\$ 54,356	\$ 54,356
Net cash provided (used) by operating activities	\$ 73,324	\$ 73,324

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Sunnyside City (the City) is a municipal corporation governed by an elected mayor and five-member council. The City provides the following services: public safety, highways and public improvements, parks and recreation, cemetery, and general administrative services. In addition, the City owns and operates culinary water and sewer systems.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the City's activities, including infrastructure (roads, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

A. Reporting Entity

The accompanying financial statements include the City, which is a political subdivision with corporate powers created under Utah State law, referred to as the financial reporting entity. The governing body is comprised of the council and the mayor. As required by generally accepted accounting principles, these financial statements present the City (the primary government), which has no component units.

B. Component Units

In evaluating how to define the reporting entity, the City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Component units are separate legal entities for which the City is considered to be financially accountable.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

B. **Component Units (Continued)**

The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board's (GASB) Statement No. 14. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the city to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the City.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, was implemented by the City for fiscal year ended June 30, 2004. Statement 39, an amendment of Statement No. 14, provides additional criteria in determining whether certain legally separate organizations, for which the City is not financially accountable, should be reported as component units based upon the nature and significance of their relationship with the City. An organization is reported as a component unit of the City, if all three of the following criteria are met: 1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, 2) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and 3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

There were no potential component units, which met all of the criteria outlined in Statement 39 or Statement 14.

C. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

D. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal yearend are included in the financial statements as taxes receivable and deferred revenue.

Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

- General Fund – The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The City’s currently does not have any non-major governmental funds.

The City reports the following major proprietary funds:

- Water and Sewer Fund - The Water and Sewer Fund accounts for the resources and expenditures in the operating and maintenance of providing water and sewer services to the resident of the City.

The City’s has no non-major enterprise funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

D. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, operational expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

E. **Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During May of each year, the Mayor submits to the City Council a proposed operating budget for the next fiscal year commencing July 1st. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 may also be included.
- 2) Copies of the proposed budget are made available for public inspection and reviewed by the citizens of the City.
- 3) If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

E. Budgetary Data (Continued)

- 4) Once adopted, the budget can be amended by subsequent City Council action. The City Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- 5) Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2012, have been included in the final budget approved by the City Council, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

F. Cash and Cash Equivalents

The City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

G. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), and water stock, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000.00 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

H. Capital Assets (Continued)

Buildings, improvements, equipment, and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-35
Improvements	10-40
Machinery and equipment	5-10
Infrastructure	25

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay, vacation and other employee benefits. An estimate of sick leave liability and vacation pay is accrued when incurred in the government-wide financial statements and proprietary funds and reported as a liability.

Accrued unpaid sick pay, vacation and other employee benefits, which vest to the employees in the government-wide financial statements for governmental activities total \$17,814 and for proprietary funds total \$10,118.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Further detail explanation of the different classification of fund balances is disclosed in a later note to the financial statements.

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. In addition, cash is separately held by individual funds.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) in handling its depository and investment transactions. The City does not have separate policies that address the specific types of deposit and investment risks to which the City is exposed.

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires the depositing of City funds in a *qualified depository*. The Act defines a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The City's bank balance at June 30, 2012, was \$36,597. Of these deposits, all were insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. This Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments.

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees – of the PTIF are allocated based on the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2012, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund	\$ 173,538	\$ 173,538			
Total Investments	\$ 173,538	\$ 173,538	\$...	\$...	\$...

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its risk in part by investing in the Utah Public Treasurers Investment Fund. The City also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. This further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

2. **DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2012, the City had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	\$ 173,538				\$ 173,538
Total Investments	<u>\$ 173,538</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 173,538</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2012, the City had \$173,538 invested in the Public Treasurer's Investment Fund and was held by them.

3. **RESTRICTED CASH/NET ASSETS/FUND BALANCES**

During prior years, the City issued water and sewer revenue bonds. The purposes of these bonds were for the construction of water and sewer distribution systems for the City. In connection with the bond agreements, the City is required to establish bond sinking and bond reserve funds. These reserve funds are to assure that adequate money is available to service debt payments as they come due. These amounts have been reported as restricted net assets in the proprietary and entity wide financial statements.

3. **RESTRICTED CASH/NET ASSETS/FUND BALANCES (Continued)**

Also the City receives funds from the State of Utah, which is restricted to use on "C" road within the City and has been reported as restricted fund balance in fund financial statement and restricted net assets in governmental activity financial statements.

Other funds that have been reported as restricted fund balances in governmental funds and restricted net assets in the governmental activity financial statements are contributions and donation received for equipment for the fire department and ambulance service of the City along with funds received from a FEMA grant, which also was restricted for the purpose of purchasing certain public safety equipment.

Restricted amounts are shown below:

	General Fund	Enterprise Fund	Total
Bond reserve funds		\$ 20,147	\$ 20,147
Class "C" Road	\$ 52,508		52,508
Public Safety - Amb/Fire	4,561		4,561
	<u>\$ 57,069</u>	<u>\$ 20,147</u>	<u>\$ 77,216</u>

4. **PROPERTY TAXES**

The property tax revenue of the City is collected and distributed by the Carbon County Treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2012, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2011 and earlier and 2) taxes assessed as of January 1, 2012, but are not due and payable until November 30, 2012. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

4. **PROPERTY TAXES (Continued)**

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee, are distributed by the county to each taxing entity in which, the property is located in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fees as revenues when collected by the county.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 17,746</u>	<u></u>	<u></u>	<u>\$ 17,746</u>
Total capital assets not being depreciated	<u>\$ 17,746</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 17,746</u>
Capital assets being depreciated:				
Buildings	\$ 1,703,204	\$ 48,860		\$ 1,752,064
Improvements other than buildings	215,333			215,333
Machinery and equipment	605,883	221,455		827,338
Infrastructure	<u>301,369</u>	<u></u>	<u></u>	<u>301,369</u>
Total capital assets being depreciated:	<u>\$ 2,825,789</u>	<u>\$ 270,315</u>	<u>\$...</u>	<u>\$ 3,096,104</u>

5. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government Governmental activities:				
Less accumulated depreciation for:				
Buildings	\$ 187,738	\$ 51,978		\$ 239,716
Improvements other than buildings	100,333	4,929		105,262
Machinery and equipment	415,025	40,655		455,680
Infrastructure	<u>301,369</u>			<u>301,369</u>
Total accumulated depreciation	<u>\$ 1,004,465</u>	<u>\$ 97,562</u>	<u>\$...</u>	<u>\$ 1,102,027</u>
Total capital assets being depreciated, net	<u>\$ 1,821,324</u>	<u>\$ 172,753</u>	<u>\$...</u>	<u>\$ 1,821,324</u>
Governmental activities capital assets, net	<u>\$ 1,839,070</u>	<u>\$ 172,753</u>	<u>\$...</u>	<u>\$ 2,011,823</u>

5. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Water stock	\$ 441,375			\$ 441,375
Work in progress	<u>53,677</u>	<u>\$ 1,500</u>		<u>55,177</u>
Total capital assets not being depreciated	<u>\$ 495,052</u>	<u>\$ 1,500</u>	<u>\$...</u>	<u>\$ 496,552</u>
Capital assets being depreciated:				
Improvements other than buildings	\$ 3,296,645			\$ 3,296,645
Machinery and equipment	<u>46,675</u>			<u>46,675</u>
Total capital assets being depreciated:	<u>\$ 3,343,320</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 3,343,320</u>
Less accumulated depreciation for:				
Improvements other than buildings	\$ 792,859	\$ 81,035		\$ 873,894
Machinery and equipment	<u>16,888</u>	<u>5,335</u>		<u>22,223</u>
Total accumulated depreciation	<u>\$ 809,747</u>	<u>\$ 86,370</u>	<u>\$...</u>	<u>\$ 896,117</u>
Total capital assets being depreciated, net	<u>\$ 2,533,573</u>	<u>\$ (86,370)</u>	<u>\$...</u>	<u>\$ 2,447,203</u>
Business-type activities capital assets, net	<u><u>\$ 3,028,625</u></u>	<u><u>\$ (84,870)</u></u>	<u><u>\$...</u></u>	<u><u>\$ 2,943,755</u></u>

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 18,004
Public safety	63,868
Highways and public improvements	1,204
Parks and recreation	<u>14,486</u>
Total depreciation expense - governmental activities	<u>\$ 97,562</u>
Business-type Activities:	
Water and sewer	<u>\$ 86,370</u>
Total depreciation expense - business-type activities	<u>\$ 86,370</u>
Total depreciation expense	<u><u>\$ 183,932</u></u>

6. PENSION PLANS

Local Governmental – Cost Sharing

Plan Description. Sunnyside City contributes to the Local Governmental Noncontributory Retirement System for employers with (without) Social Security coverage, which are all for cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement systems (Systems). Utah Retirement systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

6. **PENSION PLANS (Continued)**

Funding Policy. For plan members in the Local Governmental Noncontributory Retirement System, Sunnyside City is required to contribute 13.77% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Sunnyside City's contributions to the Noncontributory Retirement System for the years ending June 30, 2012, 2011 and 2010 were \$15,383, \$14,992 and \$13,159 respectively. The contributions were equal to the required contributions for each year. The contributions were paid by the due dates or within 30 days thereafter.

DEFERRED COMPENSATION PLAN

457(k) Plan – The employees of Sunnyside City also participated in a 457(k) deferred compensation plan. The employees of the city made contributions in their own behalf for the years ending June 30, 2012, 2011 and 2010 were \$7,877, \$7,503 and \$7,610 respectively.

401(k) Plan – The employees of Sunnyside City also participated in a 401(k) deferred compensation plan. The employees of the city made contributions in their own behalf for the years ending June 30, 2012, 2011 and 2010 were \$3,060, \$2,928 and \$2,950 respectively.

7. **LONG-TERM DEBT**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 71,000	\$ 4,556	\$ 75,556
2014	71,000	4,010	75,010
2015	72,000	3,464	75,464
2016	72,000	2,888	74,888
2017	72,000	2,312	74,312
2018-2022	288,246	3,825	292,071
2023-2027	95,000		95,000
2028-2032	95,000		95,000
	<u>\$ 836,246</u>	<u>\$ 21,055</u>	<u>\$ 857,301</u>

7. **LONG-TERM DEBT (Continued)**

Revenue Bonds – Bonds payable at June 30, 2012, with their outstanding balances, are comprised of the following individual issues:

Business-type Activities:

\$235,000 Water Revenue Bonds, Series 1998, due in annual principal installments of \$9,000 to \$15,000, beginning January 1, 2000, through January 1, 2019, interest of 3.00% per annum.	\$ 95,382
\$150,000 Water Revenue Bonds, Series 2001A, due in annual principal installments of \$6,000 to \$9,000 beginning January 1, 2002, through January 1, 2022, interest of 1.95% per annum.	82,864
\$550,000 Taxable Water Revenue Bonds, Series 2001B, due in annual principal installments of \$18,000 to \$19,000, beginning January 1, 2003, through January 1, 2032, interest of 0.00% per annum.	370,000
\$635,000 Taxable Sewer Revenue Bonds, Series 2001, due in annual principal installments of \$31,000 to \$32,000, beginning February 1, 2002, through February 1, 2021, interest of 0.00% per annum.	<u>288,000</u>
Total Business-type Activities	<u>\$ 836,246</u>

All revenue bonds issued for business-type activities were used for the construction, improvement, repair, and maintenance of water and sewer distribution systems for Sunnyside City.

7. **LONG-TERM DEBT (Continued)**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 18,811		\$ 997	\$ 17,814	
Governmental activity long-term liabilities	<u>\$ 18,811</u>	<u>\$...</u>	<u>\$ 997</u>	<u>\$ 17,814</u>	<u>\$...</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 906,246		\$ 70,000	\$ 836,246	\$ 71,000
Compensated absences	<u>11,418</u>		<u>1,300</u>	<u>10,118</u>	
Business-type activity long-term liabilities	<u>\$ 917,664</u>	<u>\$...</u>	<u>\$ 71,300</u>	<u>\$ 846,364</u>	<u>\$ 71,000</u>

8. **CAPITAL LEASES**

The city has entered into two capital lease agreements as lessee; one for financing a Xerox copy machine and one for a small dump truck.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. As of June 30, 2012, the financing of the Xerox copy machine has been paid in full only leaving the lease of the small dump truck.

8. CAPITAL LEASES (Continued)

The assets acquired through the capital leases are as follows:

	Business-type <u>Activities</u>
Machinery and equipment	<u>\$ 42,680</u>
Total assets	\$ 42,680
Less: Accumulated depreciation	<u>18,228</u>
Net assets	<u><u>\$ 24,452</u></u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2012 are as follows:

Years Ending <u>June 30,</u>	Business-type <u>Activities</u>
2013	\$ 3,619
2014	<u>3,619</u>
Total minimum lease payments	\$ 7,238
Less: amount representing interest	<u>(509)</u>
Present value of minimum lease payments	<u><u>\$ 6,729</u></u>

9. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

According to its attorney, the City has no pending lawsuits and notice of claims filed against it as of June 30, 2012.

10. PROPERTY TAX CALENDAR

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of July 1. The taxes are payable to the city treasurer by the end of November and are remitted to the City by the county treasurer as collected.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays a monthly premium to Utah Local Governments Trust for its health insurance coverage. The City is insured through commercial companies for its general liability coverage. At June 30, 2012, the City had no claims or judgments filed against it related to the risks mentioned above.

12. RECEIVABLES

Receivables as of June 30, 2012 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>GENERAL FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables:			
Taxes	\$ 306,155		\$ 306,155
Accounts		\$ 30,612	30,612
Due from other gov't	3,504		3,504
Miscellaneous	<u>4,673</u>	<u></u>	<u>4,673</u>
Gross receivables	\$ 314,332	\$ 30,612	\$ 344,944
Less: allowance for uncollectible accounts	<u></u>	<u>(7,723)</u>	<u>(7,723)</u>
Net receivables	<u>\$ 314,332</u>	<u>\$ 22,889</u>	<u>\$ 337,221</u>

13. **BUDGET VARIANCES**

During the year ended June 30, 2012, the City had the following unfavorable expenditure variances in the General Fund:

<u>Public Safety</u>	
Fire department	\$211,844
Joint Public Safety Bldg	2,375
Animal control	64
 <u>Highways and Public improvements</u>	
Streets department	19,146

14. **USE OF ESTIMATES**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

15. **FUND BALANCE CLASSIFICATIONS**

In February 2009, the Governmental Accounting Standard Board (GASB), issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. Fund balance classification changes apply only to governmental fund types; thus, only fund financial statements are affected. Below, the different classifications of fund balances have been listed with any policies or procedures that apply to them:

Nonspendable Fund Balance - Fund balances are reported as nonspendable when they cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted Fund Balance – Fund balances are reported as restricted when constraints placed on the use of resources are either (a) externally imposed through legal restrictions, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority should be reported as committed fund balances. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example legislation, resolution, ordinance) it employed to previously commit those amounts. As of June 30, 2012, the City had not adopted a written policy indicating what the highest level of decision-making authority is or the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment. Although no formal written policy has been adopted it has been the procedures of the City to use the City Council as the highest level of decision making authority. If commitments have been made this body would be the authorize body to commit, modify or rescind any action.

15. **FUND BALANCE CLASSIFICATIONS (Continued)**

Assigned Fund Balance – Fund balances are reported as assigned when the City intends to use funds, which are neither restricted nor committed, for a specific purpose. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds. The City has not officially adopted a policy designating the body or official authorized to assign amounts to a specific purpose. Although no formal policy has been adopted it has been the practice of the City under the action of the City Council to assign the use of funds for specific purposes after consulting with the Mayor and finance department of the City.

Unassigned Fund Balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose. In other governmental funds, the unassigned classification is only used to report a negative fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the unwritten policy and practice of the City to consider restricted amounts to have been spent first. When an expenditures is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the practice of the City that committed amounts will be spent first, followed by assigned amounts, and then unassigned amounts.

The City also has not adopted a formal policy regarding a minimum fund balance, but follows Utah State law which requires all City's to maintain a minimum general fund balance equal to 5% of total revenues of the general fund.

SUNNYSIDE CITY
Required Supplementary Information

EXHIBIT 10 Statement of Revenues, Expenditures and Changes in Fund Balances –
 Budget and Actual – General Fund

SUNNYSIDE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
REVENUES:				
Taxes:				
Property taxes	\$ 283,600	\$ 283,600	\$ 273,136	\$ (10,464)
General sales and use tax	40,000	40,000	50,895	10,895
Franchise tax	1,005	1,005	1,555	550
Fee in lieu	20,832	20,832	21,394	562
Municipal energy tax	18,350	18,350	18,004	(346)
Mobile telecom tax	1,800	1,800	1,651	(149)
Licenses and permits	7,601	7,601	2,850	(4,751)
Intergovernmental	46,009	46,009	264,629	218,620
Charges for services	111,230	111,230	123,471	12,241
Investment earnings	630	630	1,182	552
Contributions	130,180	130,180	15,334	(114,846)
Miscellaneous revenue	5,350	5,350	2,916	(2,434)
Total revenues	<u>\$ 666,587</u>	<u>\$ 666,587</u>	<u>\$ 777,017</u>	<u>\$ 110,430</u>
EXPENDITURES:				
Current:				
General government:				
Court	\$ 30,000	\$ 30,000	\$ 26,713	\$ 3,287
Legislative	18,750	18,750	13,655	5,095
Treasurer	25,175	25,175	21,227	3,948
Recorder	43,075	43,075	40,991	2,084
Elections	750	750	665	85
Government buildings	104,750	104,750	80,167	24,583
Total general government	<u>\$ 222,500</u>	<u>\$ 222,500</u>	<u>\$ 183,418</u>	<u>\$ 39,082</u>
Public safety:				
Police	\$ 68,000	\$ 68,000	\$ 51,667	\$ 16,333
Fire	42,300	42,300	254,144	(211,844)
Ambulance	121,100	121,100	93,488	27,612
Building inspections	1,600	1,600	1,008	592
Public safety building - joint	16,000	16,000	18,375	(2,375)
Animal control			64	(64)
Total public safety	<u>\$ 249,000</u>	<u>\$ 249,000</u>	<u>\$ 418,746</u>	<u>\$ (169,746)</u>

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
Highways and Public Improvements:				
Streets department	\$ 34,400	\$ 34,400	\$ 53,546	\$ (19,146)
Total highways and public improvements	\$ 34,400	\$ 34,400	\$ 53,546	\$ (19,146)
Parks, Recreation, and Public Property:				
Parks	\$ 34,400	\$ 34,400	\$ 28,144	\$ 6,256
Recreation	3,650	3,650	2,988	662
Public works	65,750	65,750	62,889	2,861
Cemetery	35,050	35,050	9,914	25,136
Total parks, recreation and public property	\$ 138,850	\$ 138,850	\$ 103,935	\$ 34,915
Debt Service:				
Principal retirement	\$ 804	\$ 804	\$ 804	
Interest and fiscal charges	33	33	33	
Total debt service	\$ 837	\$ 837	\$ 837	\$...
Total expenditures	\$ 645,587	\$ 645,587	\$ 760,482	\$ (114,895)
Excess of revenue over (under) expenditures	\$ 21,000	\$ 21,000	\$ 16,535	\$ (4,465)
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Total other financing sources (uses)	\$...	\$...	\$...	\$...
Excess of revenues and other sources over (under) expenditures and other uses	\$ 21,000	\$ 21,000	\$ 16,535	\$ (4,465)
Fund balances - beginning of year	94,904	94,904	94,904	
Prior period adjustment				19,470
Fund balances - end of year	\$ 115,904	\$ 115,904	\$ 111,439	\$ 15,005

"The notes to the financial statements are an integral part of this statement."

SUNNYSIDE CITY
Supplementary Information

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Sunnyside City
Sunnyside City, Utah 84539

RE: Report on Internal Control Over Financial
Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance With Government
Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund information of Sunnyside City as of and for the year ended June 30, 2012, which collectively comprise the City of Sunnyside, Utah's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and response, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and response to be material weaknesses listed as items 2011-3 and 2011-4.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and response to be significant deficiencies listed as findings 2011-1, 2011-2, 2011-5 and 2011-6.

Compliance and Other Matters

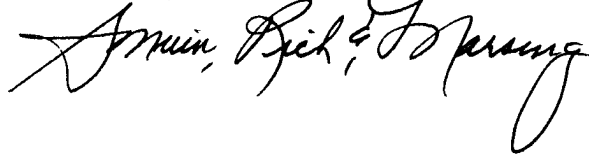
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-1, 2011-5 and 2011-6.

We noted certain other matters that we reported to management of Sunnyside City in a separate letter dated December 21, 2012.

The City's response to the findings identified in our audit, are described in the accompanying schedule of findings and responses. We did not audit Sunnyside City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in black ink, appearing to read "Smuin, Rich & Marsing", written over the printed name.

Price, Utah

December 21, 2012

**SUNNYSIDE CITY
SCHEDULE OF FINDINGS AND RESPONSE
AUDIT JUNE 30, 2012**

**FINDING 2012-1 BOND COVENANTS
(Significant Deficiency)**

Criteria:

Over the past several years, the City has issued taxable revenue bonds to the Utah Community Impact Board and to the State of Utah, Division of Finance. Included in the bond agreements were covenants made by the City. One of the provisions the City stipulated to was to set up bond sinking funds and bond reserve funds. These sinking and reserve funds were to receive monthly or quarterly deposits and were to grow to designated amounts. Generally, to the amount equal to one year's bond payment. To make sure the City meets these sinking fund and reserve requirements, internal controls need to be adopted and implemented to make sure the appropriated funds are deposited in these accounts in a timely manner.

Statement of Condition:

As of June 30, 2012, the City has set-up the required reserve funds accounts and made some deposits to these reserve accounts but the City has not made sufficient deposits into these reserve accounts to meet the covenants outlined in bond agreements.

Cause of Condition:

In the Enterprise Fund (Water and Sewer) where revenue bonds have been issued, the City has a positive cash position but has not made the required deposits into reserve accounts. It appears the reserve accounts in the water and sewer fund have not been made because the City does not have adequate cash flow to meet the necessary operating expenses of the City and also make the deposit of funds into reserve accounts. The City has not been able to make adequate contributions to reserve accounts, to make sure that bond covenants are complied with.

Effect or Possible Effect of Condition:

If the City does not comply with bond covenants, the issuer of these bonds may find the City in default and call the bonds. Also, other remedies may be imposed on the City by the issuer of the bonds, such as penalties and interest.

Recommendation:

We recommend the City review the bond documents to gain an understanding of bond covenants, specifically those concerning bond sinking funds and reserve requirements. After gaining an understanding of bond covenant requirements, we recommend the City adopt and implement internal control procedures that require employees to monitor and make needed sinking fund and reserve requirement payments. In the Enterprise Fund, the City may need to increase fees to generate enough funds to make payments to these reserve accounts.

City's Response:

City staff has been informed of the need to make the required bond fund sinking and reserve payments and the accounting system has been put in place to account for the funds. In fact, the City has made contributions to the reserve accounts to the extent that management of the City feels they can based on current financial conditions. The reserve deposits will continue to be made as funds are available, additional funds will be deposited to catch up the delinquent deposits.

**FINDING 2011-2 KNOWLEDGE TO APPLY GAAP
(Significant Deficiency)**

Criteria:

The City is required to prepare annual financial statements according to Generally Accepted Accounting Principles.

Statement of Condition:

The compilation of initial financial statements is not being prepared in accordance with General Accepted Accounting Principles.

Cause of Condition:

It appears that City personnel may not have sufficient experience or expertise to select and apply generally accepted accounting principles in the preparation of financial statements and related note disclosures.

Effect or Possible Effect of Condition:

Without some outside consulting or training, the City may not be able to provide financial statements prepared according to Generally Accepted Accounting Principles. Also financial statements and accounting records could be materially misstated.

Recommendation:

We recommend the City provide opportunity for employees to receive the necessary training to help them properly prepare financial statements and related notes to the financial statements according to generally accepted accounting principles.

City's Response:

The City continues to provide training to employees to assist in providing employees with the expertise to prepare GAAP financial statements and related notes. We will also look at other options that will allow GAAP financial statements to be prepared and the costs associated with each option. Currently, independent auditors have helped us meet the GAAP requirements and we may continue to use their help depending on the cost and ability for them to maintain their independences.

FINDING 2011-3 FAILURE TO RECORD TRANSACTIONS
(Material weakness)

Criteria:

Statement on Auditing Standards No. 112 and general accepted accounting principles requires governmental entities to design and implement controls, which allow them to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles.

Statement of Condition:

City employees failed to record transactions in the Community Daze, Ambulance Association and Fireman Association bank accounts and some transactions in certain PTIF accounts. In most instances there was not a significant dollar amount associated with these transactions.

Cause of Condition:

It appears that City employees missed recording in the financial statements the transactions in a couple of the City's smaller checking and saving accounts. It also appears that employees are not sure how to record transactions from other checking and PTIF accounts because accounts are not setup in the City's accounting system where transactions can automatically be recorded through the cash receipts journal. Also, employees are not familiar with how accounting software can be manipulated so they can record these transactions.

Effect or Possible Effect of Condition:

Unless all transactions are accounted for, material misstatements can occur and financial statements cannot be prepared in accordance with generally accepted accounting principles.

Recommendation:

We recommend the City adopt and implement internal controls, which give guidance on who is responsible for recording the transactions in the all checking, saving and PTIF accounts. We also recommend employees receive training on how accounting software can be used with regards to making sure transactions in all bank accounts and PTIF accounts are correctly recorded in the City's financial statements.

City's Response:

The City will review its current procedures for recording these transactions and make adjustments, as required, to comply with generally accepted accounting standards. Employees of the City have received training on the accounting software in the past year and will continue to seek help in making sure they under this software and how it can and should be used to make sure all transaction of the City have properly been recorded in the financial statements.

**FINDING 2011-4 FAILURE TO RECONCILE SIGNIFICANT ACCOUNTS
(Material weakness)**

Criteria:

Statement on Auditing Standards No. 112 requires governmental entities to design and implement controls, which allow them to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles.

Statement of Condition:

In some cases the City failed to perform reconciliation's of significant accounts, including bank and PTIF accounts, capital asset and accounts receivable, and payroll subsidiary ledgers. These accounts are not being accrued or reconciled to the general ledger accounts in a timely or accurate manner, which has resulted in some financial transactions of the City not being recorded in financial records.

Cause of Condition:

City staff may not be familiar with how reconciliations tie into the financial statements or the general ledger.

Effect or Possible Effect of Condition:

Unless accounts are accrued accurately and significant account balances reconciled to the general ledger accounts, financial statements cannot be prepared in accordance with generally accepted accounting principles. Material and other misstatements can occur in the financial statements.

Recommendation:

We recommend the City adopt and implement internal controls, which give guidance on who is responsible for recording and processing capital asset, accounts receivable, accrued liabilities, bank and PTIF statements transactions and how these transactions are kept track of and reconciled with the City's general ledger. We also recommend that management monitor these procedures to ensure they are performed accurately and timely.

City's Response:

The City will review its current procedures for recording these transactions and make adjustments, as required, to comply with generally accepted accounting principles.

**FINDING 2011-5 FAILURE TO ADVERTISE BUDGET HEARING
(State Legal Compliance Finding)**

Criteria:

Utah State Code Section 10-5 states, "The governing body of an entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of a newspaper of general circulation published within the county in which the entity is located."

Statement of Condition:

Sunnyside City did not advertise in the newspaper of general circulation indicating the time and place of a public hearing to consider the adoption of the budget at least seven days prior to the hearing date. From discussion with City personnel they thought the advertisement had been placed in the newspaper according to the requirement of the State of Utah legal notice law.

Cause of Condition:

It appears that City personnel did not realized that they had missed the proper time frame for the advertisement of the budget hearing. It also appears that internal controls such as a time table or reminder schedule outlining deadlines and due dates of required notices has not been developed and available for City personnel to refer to.

Effect or Possible Effect of Condition:

Without publishing the required notice of public meeting on a timely basis to consider the adoption of the City budget, proper compliance with the Utah State law has not been followed. There may be questions by citizens or other concerning where the City has followed the required procedures to adopt a formal and binding budget which allows the City to expend public funds of the City.

Recommendation:

We recommend the City comply with the public notice requirement of advertising their budget hearing as outlined in the Utah State Code and to keep proper documentation of these notices and publications.

City's Response:

The City will take appropriate action in the future to ensure that we publish notice of our budget hearing in at least one issue of a newspaper of general circulation published within the County at least seven days prior to the budget hearing and retain documentation showing proof of publication.

**FINDING 2011-6 FAILURE TO FORMALLY ADOPT CERTIFIED TAX RATE
(State Legal Compliance Finding)**

Criteria:

Utah Code Section 59-2-912 states “The governing body of each taxing entity shall: (a) before June 22 of each year, adopt a proposed or, if the tax rate is not more than the certified tax rate, a final tax rate for the taxing entity; and (b) report the rate and levy, and submit the statement required under Section 52-2-913 and any other information prescribed by rules of the commission for the preparation, review, and certification of the rate, to the county auditor of the county in which the taxing entity is located.

Statement of Condition:

From discussion with City personnel and review of City records, we were unable to find in the minutes, or an ordinance or resolution where the City had recorded or actually adopting their certified tax rate. We were able to find their form TC-693, which reported to the County what their certified tax rate was but we were unable to find where the Board had adopted this rate.

Cause of Condition:

It appears that City management and personnel were not aware of the need to formally adopt the City’s certified tax rate through an ordinance or resolution. Also, City management and personnel did not feel that it was necessary to document their approval and acceptance of the certified tax rate by recording the City Councils intent through an entry in the minutes.

Effect or Possible Effect of Condition:

The State of Utah has setup laws and procedures that govern how City’s are to legally appropriate and spend funds to meet the demands of operational and capital expenditures which are incurred. If these laws and procedures are not followed or complied with, it is possible that citizens or others could question whether the City actually had legal author to spend public funds.

Recommendation:

We recommend the District record the adoption of their certified tax rate by passing an ordinance or resolution as stipulated by State of Utah requirements. We also recommend that this ordinance or resolution be filed in a manner so it can be easily retrieved and that minute entries are made to further document this action.

City’s Response:

The City will review its current procedures on how certified tax rates are adopted along with requirements and laws of the State. If necessary changes will be made in how the City adopts its certified rate.

**SUNNYSIDE CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AUDIT JUNE 30, 2012**

Sunnyside City had the following findings reported in the June 30, 2011 audit report. Below, the findings have been listed along with the steps taken to correct these findings.

FINDING 2011-1

Condition:

The City has not set-up the required reserve funds nor made the necessary deposits into these funds to meet the covenants outlined in their bond agreements.

Corrective Action:

The City needs to take steps necessary to generate adequate cash flow in the Water and Sewer fund so deposits can be and will be made, into the bond reserve accounts in amounts sufficient to comply with bond covenants associated with the issuance of debt by the City.

Follow-up:

The City has setup bond reserve accounts during the year ended June 30, 2011 and made some deposits into these accounts. The City needs to continue to budget and generate funds in adequate amounts to meet bond reserve requirements.

FINDING 2011-2

Condition:

It appears that City personnel may not have sufficient experience or expertise to select and apply general accepted accounting principles in the preparation of financial statements and related note disclosures.

Corrective Action:

The City needs to continue to provide opportunity for employees to receive the necessary training to help them properly prepare financial statements and related notes to the financial statements.

Follow-up:

It appears that City employees still need training in this area and additional follow-up is needed as this is also a finding in the current year.

FINDING 2011-3

Condition:

City employees failed to record transactions through the trust fund held for the construction of the joint public safety building and transactions of other checking and PTIF accounts.

Corrective Action:

The City should adopt and implement internal controls, which give guidance on who is responsible for recording the transactions in the trust account and all transactions of other checking and PTIF accounts. Management should monitor these procedures to ensure they are performed accurately and timely.

Follow-up:

It appears that the corrective action on this finding has not been followed up on. But all funds held in trust have been spent and use of joint public safety account will not be used in the future. Follow-up is still needed on the recording transaction of other bank and PTIF accounts.

FINDING 2011-4

Condition:

In some cases the City failed to perform reconciliation's of significant accounts, including bank and PTIF accounts, capital asset and accounts receivable subsidiary ledgers. These accounts are not being accrued or reconciled to the general ledger accounts in a timely or accurate manner.

Corrective Action:

The City should adopt and implement internal controls that give guidance on who is responsible for recording and processing capital assets, accounts receivable, bank and PTIF statements transactions and how these transactions are kept track of and reconciled with the City's general ledger.

Follow-up:

It appears that the corrective action on this finding has not been followed and additional follow-up is needed as this is also a finding in the current year.

FINDING 2011-5

Condition:

The City did not advertise in the newspaper of general circulation indicating the time and place of public hearing to consider the adoption of the budget seven days prior to the hearing as required in State law.

Corrective Action:

The City did make the required advertisement in the local newspaper but the notice in the paper was only five days prior to the public hearing.

Follow-up:

This is a current year finding. Further follow-up will be needed.

FINDING 2011-6

Condition:

The governing body of each taxing entity is required to adopt a proposed or final tax rate before June 22 of each year. We were unable to find a resolution, ordinance or minute entry that documented the City had officially adopted their tax rate. We were able to find their form TC-693, which reported to the County what their certified tax rate was.

Corrective Action:

The City had determined to better document how the certified tax rate is adopted and maintain documentation of the resolution, ordinance or make sure the adoption of the rate is in the City minutes

Follow-up:

This finding is also a current finding. Further follow-up is needed.

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Sunnyside City
Sunnyside, Utah 84539

RE: Auditors' Report on State Legal Compliance
for State Grants

We have audited Sunnyside City's compliance with general and major state program compliance requirements described in the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

Public Debt	Budgetary Compliance
Cash Management	Truth in Taxation and
Purchasing Requirements	Property Tax Limitation
Other Compliance Requirements	B & C Road Funds
Liquor Law Enforcement	Utah Retirement System
Asset Forfeiture	Fund Balance

The City received the following major assistance programs from the State of Utah:

Class "C" Road (Utah Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

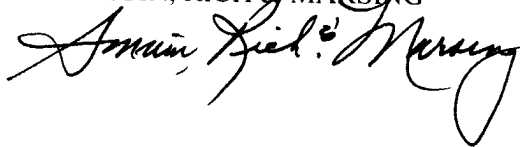
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of Utah Legal Compliance Audit. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, Sunnyside City has not complied, in all material respects, with the general compliance requirements identified above but has met the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. Also, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in our letter to management and the Schedule of Findings and Response dated December 21, 2012 as items 2011-1, 2011-5 and 2011-6.

Management's response to these findings identified in our audit is described in the accompanying letter to management and in the Schedule of Findings and Response. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the City, Office of the State Auditor, awarding and pass-through entities and other specified parties as applicable and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

SMUIN, RICH & MARSING

A handwritten signature in black ink, appearing to read "Arman Rich Marsing", written in a cursive style.

Price, Utah

December 21, 2012

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Sunnyside City
Sunnyside, Utah 84539

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Sunnyside City for the year ended June 30, 2012.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

UNFAVORABLE BUDGET VARIANCE

Utah Code 10-6-123 states that "City officers may not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or as subsequently amended. Any obligation contracted by any such officer may not be or become valid or enforceable against the City." During the audit of the year ended June 30, 2012, we found the following departments in the General Fund that had expenditures in excess of the adopted budget:

General Fund:

Fire Department
Joint Public Safety Building
Animal Control
Highways and Public Improvements
Streets Department

We recommend that City personnel review the expenditures made, and compare them against the adopted budget, to determine if the budgets of the City are being overspent. Toward the end of each fiscal year adjustments can be made particularly if some adjustments need to be made between departments where some are overspent and other have excess budget.

City Response –The City did have some unfavorable variance in their budget but most of the variances were small and some created from posting accruals at the end of the year. The one large variance was from the purchase of a fire truck which was somehow not fully budgeted. City personnel are aware of the need to monitor budgets and will work harder to make sure budget adjustments are made so the City is in compliance with this requirement.

TREASURER'S BOND

The State of Utah requires every public treasurer to secure a fidelity bond for an amount that is a certain percentage of its prior years budgeted revenues. This is according to Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council. After review of the amount that is required for the fidelity bond as compared to the bond the City has in place, we found the bond did not meet the necessary requirements to be in compliance with State Law.

We recommend the City become familiar with the bonding requirements for the City as it relates to the fidelity bond and secure bonding in the amount that will protect the City against loss or misuse of public money.

City Response- The City will review State of Utah requirements regarding amounts that are required for fidelity bonds and make changes to bring the City into compliance.

UNCLAIMED PROPERTY

According to Utah Code section 67-4a-210 and 310, a government entity holding intangible property for more than one year after the property became payable or distributable must report and remit the property to the State Treasurer's Office, Division of Unclaimed Property, by November 1 of each year as of the preceding June 30th. During the audit, we found where the City had identified some unclaimed property and setup a payable in the financial statements but had not remitted these funds to the State of Utah. We recommend the City follow the guidelines setup by the State and remit this unclaimed property as directed by the State of Utah.

City Response – The City has taken the steps to identify and separate unclaimed property held by the City. Unfortunately they funds had not been sent to the State of Utah when the auditors came to do the audit. The City will remit the unclaimed property to the State as required by law.

SUMMARY

We feel the State Compliance issues and accounting related items mentioned above are some areas where the City can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in black ink, appearing to read "Armin, Rich & Marsing", written over the printed name.

Price, Utah

December 21, 2012